

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05
EB-08 NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 PA-01 PRS-01 H-01 L-03
/103 W

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R 251239Z MAR 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 3158
INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

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E.O. 11652: NA
TAGS: EFIN EAID EINV EIND
SUBJ: \$1.5 BILLION GODE LOAN FOR EGYPT

REF: CAIRO 5046 (NOTAL)

1. DR. ABD AL-MONIM KAISSOUNI, DEPRIMIN FOR FINANCIAL
AND ECONOMIC AFFAIRS, RETURNED UNEXPECTEDLY TO CAIRO LATE
MARCH 24 FROM SAUDI ARABIA WHERE HE HAD BEEN NEGOTIATING BALANCE
OF PAYMENTS ASSISTANCE FOR EGYPT FROM ARAB STATES. RETURN
GENERATED CONSIDERABLE PRESS ATTENTION MARCH 25 AND KAISSOUNI
HIMSELF, SPEAKING AFTER HIS ARRIVAL, HAS PROVIDED IMPORTANT
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CLARIFICATIONS REGARDING REPORTS OF NEW \$1.5 BILLION LOAN FROM
THE GULF ORGANIZATIONS FOR DEVELOPMENT IN EGYPT (GODE - SAUDIA
ARABIA, KUWAIT, U.A.E. AND QATAR).

2. ACCORDING TO KAISSOUNI, SPEEDY \$1.5 BILLION LOAN WILL
BE GRANTED COMPLETELY WITHIN GODE CONTEXT. WHEN THIS AMOUNT
IS ADDED TO \$250 MILLION DIRECT LOAN AND \$250 MILLION COMMERCIAL

LOAN GUARANTEE ALREADY PROVIDED, ENTIRE CAPITALIZATION OF GULF FUND HAS NOW BEEN USED. KAISOONI SAID THAT \$1.5 BILLION WILL BE PROVIDED IN CASH TO COVER DEFICIT IN BALANCE OF PAYMENTS, SO THAT EGYPT WOULD NOT HAVE TO RESORT TO BANKING FACILITIES AND SHORT-TERM LOANS WITH HIGH INTEREST RATES. HE SAID LOAN WOULD BE ESPECIALLY HELPFUL IN OVERCOMING BOTTLENECKS IN UTILITY AND SERVICE SECTORS (WHICH PRESUMABLY COULD BE UNDER SOME SORT OF CONDITIONAL USE OF LOAN IMPOSED BY GODE).

3. KAISOONI ALSO SAID, HOWEVER, THAT BY SUPPLYING EGYPT WITH ORGANIZATION'S ENTIRE CAPITALIZATION, GODE HAD NOT TERMINATED ITS ACTIVITIES. HE EXPLAINED THAT AGREEMENT HAD BEEN REACHED WHEREBY EGYPT IS AUTHORIZED TO USE INSTALLMENTS WHICH IT REPAYS ON LOANS TO FINANCE DEVELOPMENT AND SOCIAL PROJECTS. THIS MEANS THAT CAPITAL OF THE ORGANIZATION WILL BE REVOLVING FUND.

4. GODE MEMBERS ARE REPORTED TO HAVE EXPRESSED READINESS TO INCREASE CAPITAL AVAILABLE TO HELP EGYPT OVERCOME ECONOMIC CRISES THROUGH ALL FORMS OF COOPERATION, EITHER BILATERAL OR THROUGH ECONOMIC DEVELOPMENT FUNDS WHICH BELONG TO GODE MEMBERS INDIVIDUALLY. KAISOONI SAID THAT AN INCREASE IN ORGANIZATION'S CAPITAL ITSELF WOULD BE DETERMINED IN LIGHT OF EGYPTIAN DEVELOPMENT NEEDS AND THOSE PROJECTS WHICH EGYPT MIGHT SUBMIT TO THE GODE FOR FINANCING.

5. KAISOONI ALSO ANNOUNCED THAT CHAIRMAN OF GODE EXECUTIVE DIRECTORS COUNCIL ABD AL AZIZ AL-DAKHIL WILL ARRIVE CAIRO SHORTLY TO OPEN GODE OFFICE AND AGREE ON EXECUTIVE STEPS WHEREBY GODE WILL EXERCISE ITS ACTIVITIES LIMITED OFFICIAL USE

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IN EGYPT.

6. KAISOONI INTENDS CONTINUE HIS TOUR OF GULF, LEAVING FOR DOHA MONDAY, MARCH 28, AND SUBSEQUENTLY VISITING ABU DHABI AND KUWAIT. ACCORDING TO KAISOONI, DISCUSSIONS IN GULF WILL AIM AT PROMOTING BILATERAL COOPERATION AND DISCUSSING PARTICIPATION OF GULF STATES IN MEETINGS OF IBRD SPONSORED CONSULTATIVE GROUP TO BE HELD IN MAY IN PARIS.

7. PRESS NOTES THAT SHARES OF \$1.5 BILLION LOAN WILL BE DIVIDED AS FOLLOWS: SAUDI ARABIA, 40 PERCENT; KUWAIT, 35 PERCENT; UAE 15 PERCENT; QATAR, 10 PERCENT (WHICH IS BASIC GODE PROPORTIONAL SPLIT). PAPERS ALSO NOTE THAT SAUDI FINANCE MINISTER SAID HE WAS AUTHORIZED TO COMPLETE LOAN WITHIN ONE MONTH AND THAT EXECUTIVE DIRECTORS OF GODE WILL MEET IN CAIRO MARCH 30 TO DISCUSS NECESSARY FORMALITIES.

8. COMMENT. IT APPEARS THAT KAISSOUNI HAS REACHED WORKABLE COMPROMISE WITH EGYPT'S BENEFACTORS WHICH WILL ALLOW THEM TO PROVIDE MAXIMUM EMERGENCY ASSISTANCE TO EGYPT WHILE STILL MAINTAINING GODE SOLIDARITY AND INSISTENCE THAT GODE CONCENTRATE ON DEVELOPMENT PROJECTS RATHER THAN CASH AID. KAISSOUNI HAS ALSO OVERCOME ONE OF EGYPTIANS' PREVIOUS DISAPPOINTMENTS IN GAINING AGREEMENT FOR GODE OFFICE IN CAIRO. WE SUSPECT KAISSOUNI'S HASTENED RETURN TO CAIRO WAS TO GET PRESIDENT SADAT'S APPROVAL FOR NEGOTIATED PACKAGE, WHICH APPARENTLY WAS GRANTED.
MATTHEWS

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